

**EASTER SEALS RHODE ISLAND, INC.  
(formerly THE CRANSTON CENTER)  
REPORT ON CONTRACT COMPLIANCE  
CALENDAR YEAR 1998**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
Providence, R.I. 02908-5889  
TEL #: (401) 222-2768  
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Easter Seals Rhode Island, Inc.  
(formerly The Cranston Center)  
REPORT ON CONTRACT COMPLIANCE  
Calendar Year 1998

EXECUTIVE SUMMARY

The prior audit report for Easter Seals Rhode Island, Inc., (formerly The Cranston Center) issued November 25, 1998 by the Bureau of Audits, cited three recommendations that have been implemented.

Based on our contract compliance engagement for the calendar years 1994 through 1998, we determined the following:

1. A net settlement of \$4,876 is due to the Department of Human Services from the Provider as a result of excess per diem rates, for the period under review.
2. There were excess funds of \$281,080 in the Provider's Waiver, Semi-Independent Residential and Day Programs that should be recovered by the Department of Mental Health, Retardation and Hospitals or reprogrammed in accordance with applicable contract provisions and policy.
3. Credit card policies should be revised.

EASTER SEALS RHODE ISLAND, INC.  
(formerly THE CRANSTON CENTER)  
CALENDAR YEAR 1998

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April 19, 2001

Ms. Christine Ferguson, Director  
Department of Human Services  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Ferguson:

We have examined the cost report submitted by Easter Seals Rhode Island, Inc., (formerly The Cranston Center) for the calendar year 1998. We audited the most current year and reviewed the cost reports for 1994 through 1997 to settle those years for the following DHS Funded Intermediate Care Facilities for the Mentally Retarded (ICF/MR):

<u>Facility</u>	<u>License Number</u>
Dyer Avenue Group Home	021
Concord Avenue Group Home	066
Wildflower Group Home	262

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee; and to the Honorable Frank T. Caprio, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of Human Services and to the director and staff members of Easter Seals Rhode Island, Inc., for their assistance and cooperation during the course of this engagement.

Sincerely,

Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pb



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April 19, 2001

Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have examined the cost report submitted by Easter Seals Rhode Island, Inc., (formerly The Cranston Center) for the following MHRH funded programs for the calendar year 1998.

Programs

Adult Day Programs  
Residential Waiver Program  
Conversion Waiver Program  
Semi-Independent Residential Programs

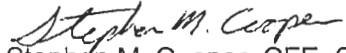
The report contained herein represents the consolidation and field audit revision report approved by your department to provide for greater and more timely audit coverage to your providers. This audit is based on the most recent year audited. For settlement purposes this report includes calendar years 1994 through 1998.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee; and to the Honorable Frank T. Caprio, Chairman of the Senate Finance Committee.

Ms. A. Kathryn Power, Director  
Page 2  
April 19, 2001

We wish to express our appreciation to the officials of the Department of MHRH and to the director and staff members of Easter Seals Rhode Island, Inc., for their assistance and cooperation during the course of this engagement.

Sincerely,

A handwritten signature in cursive script that reads "Stephen M. Cooper".

Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pb

EASTER SEALS RHODE ISLAND, INC.  
(formerly THE CRANSTON CENTER)  
CALENDAR YEAR 1998

SCOPE AND PURPOSE

The purpose of this engagement was to audit the most current year cost report (1998) submitted by the provider of services funded by the Department of Human Services and the Department of Mental Health, Retardation and Hospitals and make settlements for that year and also make settlements for all prior unaudited years. The review of prior unaudited years (1994 - 1997) was limited to reviewing selected accounts and making adjustments based on risk factors developed through the testing of the current year accounts, the prior field audit, prior year cost reports and sampling.

By funding source the purpose of this audit was to determine:

DHS Programs

- whether expenses were allowable in accordance with the principles of reimbursement;
- Through the verification of census records the total client days used in calculating audited per diem rates;
- any over or under funding on behalf of the Department of Human Services; and
- if the clients' clothing funds, personal needs fund, and client wages were properly maintained in accordance with the prescribed guidelines.

MHRH Programs

- whether expenses reported per the cost reports were in accordance with the terms of the contracts;
- whether revenues were reported accurately on the cost reports; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of DHS programs was made in accordance with the "Federal Medicare Principles of Reimbursement" issued by the Social Security Administration, Bureau of Health Insurance HIM-15 adopted by the State of Rhode Island with the exclusion of return of net equity and the approved providers' operating budgets.

Additionally, we have audited the Clients' Clothing Account Funds in accordance with the "Principles for Skilled Nursing and Intermediate Care Facilities," and the Clients' Personal Needs Funds in accordance with the "Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities."

Our audit of the financial records included verification of revenues and expenses through testing procedures which were deemed necessary in the circumstances.



EASTER SEALS RHODE ISLAND, INC.  
(formerly THE CRANSTON CENTER)  
CALENDAR YEAR 1998

BACKGROUND

Title 40.1-21-4 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals to be responsible for planning and developing a complete, comprehensive, and integrated statewide program for the developmentally disabled." Said programs may include but are not limited to: various type workshop activities, programs to alleviate and ameliorate developmental problems, physical activities, health consultation, and transportation problems.

Easter Seals Rhode Island, Inc., (formerly The Cranston Center) a chapter of RIARC located at 905 Pontiac Avenue, Cranston, is one of eight regional chapters in the state serving the developmentally disabled. It is a nonprofit corporation governed by a sixteen-member board of directors, who serve three-year terms. Directors are eligible to serve two terms. One-third of the board of directors is elected at each annual meeting.

On June 30, 1996 the Concord Avenue and Dyer Avenue Group Homes and on June 30, 1997 the Wildflower Group Home were converted from Intermediate Care Facilities for the Mentally Retarded to Waiver Funded Residential Facilities for developmentally disabled citizens.



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Ms. Christine Ferguson, Director  
Department of Human Services  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Ferguson:

We have performed the procedures enumerated below, which were agreed to by the Department of Human Services (DHS) and Easter Seals Rhode Island, Inc., (Center), solely to assist the users in evaluating the Center's assertion about their compliance with DHS's Principles of Reimbursement H.I.M.-15 to the service provider cost reports, Clients' Clothing Account Funds to DHS's Principles for Skilled Nursing and Intermediate Care Facilities and Clients' Personal Needs Funds to DHS's Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities for the calendar year 1998. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1994 through 1997 which allows us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports based on that strategic plan. This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Based on the application of the procedures referred to above, we determined a final rate settlement for the ICF/MR's for the calendar years 1994 through 1998 with provisions of DHS's Principles of Reimbursement H.I.M.-15, and determined ending client fund balances for the calendar years 1994 through 1998 with provisions of DHS's Principles for Skilled Nursing and Intermediate Care Facilities, and Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

Ms. Christine Ferguson, Director  
Page 2

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion of assertion by the Center's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of DHS and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits  
February 18, 2000

SMC:pb



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Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Easter Seals Rhode Island, Inc. (Center), solely to assist the users in evaluating the Center's assertion about their compliance to the financial terms and conditions contained within the Day Program Service for Developmentally Disabled Citizens contracts during the calendar year 1998. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1994 through 1997 which allowed us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports based on that strategic plan. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we made a determination as to the reasonableness of allowable costs based on the "prudent person rule," accuracy of reported activities and if any overall surplus funding was provided by MHRH. Based on the application of the procedures referred to above, we became aware of an overall surplus by MHRH for the calendar year (s) 1994 thru 1998, of \$281,080. Also, the center's credit card policies should be revised. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion of assertion by the Center's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Ms. A. Kathryn Power, Director  
Page 2

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits  
February 18, 2000

SMC:pb

EASTER SEALS RHODE ISLAND, INC.  
STATEMENT OF REVENUE AND EXPENSES - TOTAL  
CALENDAR YEAR 1998

<u>Account Description</u>	<u>Total</u>	<u>Administrative</u>	<u>Adult Day Programs</u>	<u>Conversion Waiver Program</u>	<u>Waiver Resident Program</u>	<u>Semi- Independent Apartment Program</u>	<u>Recreation</u>	<u>Child Development</u>	<u>Workshop</u>	<u>Agency</u>
<u>Revenues</u>										
State of Rhode Island										
Department of MHRH	\$ 5,650,751	-	-	1,850,717	3,648,894	86,687	-	64,453	-	-
Dept. of Human Services										
Day Program	2,779,440	-	2,779,440	-	-	-	-	-	-	-
Other State Depts	88,181	-	85,674	-	-	-	-	2,507	-	-
Social Security Inc	222,506	-	-	-	222,506	-	-	-	-	-
Client Excess Earnings	23,340	-	-	-	23,340	-	-	-	-	-
City or Town Support	10,000	-	-	-	-	-	10,000	-	-	-
School Departments	1,062,189	-	6,378	-	-	-	-	1,055,811	-	-
Interest Income	8,932	-	-	-	-	-	-	-	-	8,932
United Way	6,677	-	-	-	-	-	6,677	-	-	-
Membership Fees	1,748	-	-	-	-	-	1,748	-	-	-
Respite	2,283	-	2,283	-	-	-	-	-	-	-
Restricted Donations	59,329	-	16,000	-	-	-	-	2,081	-	41,248
Unrestricted Donations	2,353	-	-	-	-	-	2,095	-	-	258
Program Service Fees	89,626	-	-	-	-	-	-	89,626	-	-
Workshop Contract Inc	87,536	-	-	-	-	-	-	-	87,536	-
Other										
PRB Income	43,136	1,882	9,495	9,485	14,931	1,386	148	5,809	-	-
Other	53,918	7,000	10,903	203	403	35	35,206	168	-	-
<b>Total Revenues</b>	<b>\$ 10,191,945</b>	<b>8,882</b>	<b>2,910,173</b>	<b>1,860,405</b>	<b>3,910,074</b>	<b>88,108</b>	<b>55,874</b>	<b>1,220,455</b>	<b>87,536</b>	<b>50,438</b>
<u>Expenses</u>										
Wages	\$ 6,457,332	614,023	1,566,076	1,159,722	2,064,540	163,478	28,488	833,981	-	27,024
Retirement	155,764	8,205	38,151	32,090	53,064	5,133	450	18,671	-	-
Health Insurance	794,336	45,144	175,852	169,082	270,120	25,196	2,685	106,257	-	-
Nurse	11,166	-	4,166	3,000	4,000	-	-	-	-	-
Occup. Therapist	3,418	-	826	-	1,300	-	-	1,292	-	-
Psychologist	30,403	-	-	19,890	-	-	-	10,513	-	-
Other	46,223	2,140	7,317	2,193	5,400	598	-	10,575	-	18,000
Office Supplies	68,151	40,554	11,484	3,509	6,963	549	63	5,029	-	-
Telephone	48,269	11,432	18,309	3,182	7,648	3,538	70	4,090	-	-
Travel-Motor Vehicle	92,541	7,377	21,495	16,169	31,513	2,336	635	13,016	-	-
Travel-Employees	90,656	508	36,589	23,439	15,613	13,563	69	875	-	-
Conventions, Meetings	69,977	26,256	14,812	5,878	10,133	905	43	2,737	-	9,213
Adv.-Help Wanted	27,578	3,597	3,286	3,834	7,869	625	-	8,367	-	-
Licenses	11,234	6,014	653	1,051	2,681	154	-	681	-	-
Organizational Dues	68,649	44,391	3,361	5,531	10,537	857	1,795	2,177	-	-
Computerized Payroll										
& Data Processing	22,094	5,434	5,712	2,850	5,642	487	65	1,904	-	-
Accounting & Auditing	17,271	-	4,410	2,989	6,477	610	127	2,658	-	-
Legal Services	35,028	-	12,546	5,384	15,392	1,355	6	345	-	-
Payroll Taxes	636,368	62,583	155,006	114,688	203,506	16,416	2,784	81,385	-	-
Insurance	168,892	7,151	50,655	28,636	53,933	4,866	997	22,654	-	-

EASTER SEALS RHODE ISLAND, INC.  
STATEMENT OF REVENUE AND EXPENSES - TOTAL  
CALENDAR YEAR 1998

<u>Account Description</u>	<u>Total</u>	<u>Administrative</u>	<u>Adult Day Programs</u>	<u>Conversion Waiver Program</u>	<u>Waiver Resident Program</u>	<u>Semi- Independent Apartment Program</u>	<u>Recreation</u>	<u>Child Development</u>	<u>Workshop</u>	<u>Agency</u>
<u>Expenses - Cont'd</u>										
Clothing Allowance-Clients	12,240	-	-	-	12,240	-	-	-	-	-
Miscellaneous	92,759	11,120	15,033	13,541	33,296	1,012	13,279	4,580	-	898
HCPA-Provider Tax	255,724	-	-	-	255,724	-	-	-	-	-
Interest	32,216	749	3,645	1,993	23,841	322	59	1,607	-	-
Rent/Lease of Building	55,808	25,269	10,385	1,500	18,654	-	-	-	-	-
Lease of Equipment	9,856	1,502	3,330	1,020	2,021	148	37	1,798	-	-
Lease of Vehicles	7,729	2,509	-	-	5,220	-	-	-	-	-
Amortization of										
Leasehold Impr.	658	-	658	-	-	-	-	-	-	-
Building Depreciation	26,026	-	-	-	26,026	-	-	-	-	-
Building Impr. Depr.	5,541	-	1,975	283	2,103	46	-	1,134	-	-
Equipment Depr.	37,871	14,770	5,468	3,609	11,619	558	-	1,847	-	-
Motor Vehicle Depr.	40,696	413	8,222	-	32,061	-	-	-	-	-
Fuel	1,895	-	329	-	1,566	-	-	-	-	-
Gas	35,543	1,683	13,052	1,278	15,160	212	-	4,158	-	-
Electricity	61,014	2,321	25,380	2,129	23,620	358	-	7,206	-	-
Water & Sewerage	13,274	1,567	8,136	244	2,549	40	-	738	-	-
Plant Supplies	24,480	5,574	9,607	1,042	3,202	149	-	4,906	-	-
Purchased Services										
& Repairs	75,207	14,317	32,345	2,921	17,335	467	36	7,786	-	-
Food & Kitchen Suppl.	112,738	793	11,368	4,995	80,528	1,286	71	13,697	-	-
Linen & Laundry Suppl.										
& Service	47	-	6	-	11	-	-	30	-	-
Housekeeping Supplies	8,351	-	-	-	8,321	-	-	30	-	-
Pharmacy Supplies	39,100	-	5,140	1,643	18,954	655	-	12,708	-	-
Recreational Supplies	23,213	-	685	701	4,585	62	17,153	27	-	-
Classroom Supplies	53,133	-	15,986	-	-	-	2,710	34,437	-	-
Workshop Client P/R	119,863	-	-	-	-	-	-	-	119,863	-
Taxes	9,016	-	-	-	-	-	-	-	9,016	-
Transportation	304,949	-	304,949	-	-	-	-	-	-	-
Subtotal	\$ 10,314,297	967,396	2,606,405	1,640,016	3,374,967	245,981	71,622	1,223,896	128,879	55,135
Allocation of Administrative Expenses	-	(958,514)	241,112	182,553	349,783	26,081	8,175	150,810	-	-
Total Expenses	\$ 10,314,297	8,882	2,847,517	1,822,569	3,724,750	272,062	79,797	1,374,706	128,879	55,135
Net Excess (Deficiency) of Revenue Over Expenses	\$ (122,352)	-	62,656	37,836	185,324	(183,954)	(23,923)	(154,251)	(41,343)	(4,697)

See accompanying notes to financial information.

EASTER SEALS RHODE ISLAND, INC.  
STATEMENT OF REVENUES AND EXPENSES - ADULT DAY PROGRAMS  
CALENDAR YEAR 1998

Account Description	Total Adult Day Programs	Adult Habilitation	Adult Development	Special Adult Development	Behavior Skills	Supportive Employment	Skill Level				Client Transportation
							6	7	8	9	
<u>Revenues</u>											
State of Rhode Island											
Dept. of Human Services											
Day Program	\$ 2,779,440	1,159,171	266,497	453,032	324,914	144,167	10,920	35,848	64,847	48,717	271,327
Other State Depts.	85,674	39,596	9,103	15,475	11,099	4,925	373	1,224	2,215	1,664	-
School Departments	6,378	2,948	678	1,152	826	366	28	91	165	124	-
Respite	2,283	1,055	243	412	296	131	10	33	59	44	-
Restricted Donations	16,000	7,395	1,700	2,890	2,073	920	70	228	413	311	-
Other											
PRB Income	9,495	4,389	1,009	1,715	1,230	546	41	136	245	184	-
Other	10,903	5,039	1,159	1,969	1,412	627	47	156	282	212	-
Total Revenues	\$ 2,910,173	1,219,593	280,389	476,645	341,850	151,682	11,489	37,716	68,226	51,256	271,327
<u>Expenses</u>											
Wages	\$ 1,566,076	723,791	166,402	282,875	202,878	90,018	6,818	22,384	40,491	30,419	-
Retirement	38,151	17,632	4,054	6,891	4,942	2,193	166	545	987	741	-
Health Insurance	175,852	81,273	18,685	31,764	22,781	10,108	766	2,513	4,546	3,416	-
Nurse	4,166	2,000	166	1,000	1,000	-	-	-	-	-	-
Occupational Therapist	826	826	-	-	-	-	-	-	-	-	-
Other	7,317	2,863	1,142	1,223	595	708	53	176	318	239	-
Office Supplies	11,484	5,308	1,220	2,074	1,488	660	50	164	297	223	-
Telephone	18,309	8,462	1,945	3,307	2,372	1,052	80	262	473	356	-
Travel-Motor Vehicle	21,495	9,934	2,284	3,883	2,785	1,236	93	307	555	418	-
Travel-Employees	36,589	16,910	3,888	6,609	4,740	2,103	159	523	946	711	-
Conventions, Meetings	14,812	6,845	1,574	2,675	1,919	851	65	212	383	288	-
Adv.-Help Wanted	3,286	1,519	349	594	426	189	14	47	85	63	-
Licenses	653	302	69	118	85	38	3	9	17	12	-
Organizational Dues	3,361	1,553	357	607	436	193	15	48	87	65	-
Computerized Payroll & Data Processing	5,712	2,640	607	1,032	740	328	25	82	148	110	-
Accounting & Auditing	4,410	2,038	469	797	571	254	19	63	114	85	-
Legal Services	12,546	5,799	1,333	2,266	1,625	721	55	179	324	244	-
Payroll Taxes	155,006	71,639	16,470	27,998	20,080	8,910	675	2,215	4,008	3,011	-
Insurance	50,655	23,411	5,382	9,150	6,562	2,912	221	724	1,309	984	-
Miscellaneous	15,033	6,948	1,597	2,715	1,948	864	65	215	389	292	-
Interest	3,645	1,685	387	658	472	210	16	52	94	71	-
Rent/Lease of Building	10,385	4,800	1,103	1,876	1,345	597	45	148	269	202	-
Lease of Equipment	3,330	1,539	354	602	431	191	15	48	86	64	-
Amortization of Leasehold Improv.	658	304	70	119	85	38	3	9	17	13	-
Building Impr Depr.	1,975	913	210	357	256	113	9	28	51	38	-
Equipment Depreciation	5,468	2,527	581	988	708	314	24	78	142	106	-
Motor Vehicle Depr.	8,222	3,800	874	1,485	1,065	473	36	118	212	159	-
Fuel	329	152	35	59	43	19	1	5	9	6	-
Gas	13,052	6,032	1,387	2,358	1,691	750	57	187	337	253	-
Electricity	25,380	11,730	2,697	4,584	3,288	1,459	110	363	656	493	-



EASTER SEALS RHODE ISLAND, INC.  
STATEMENT OF REVENUES AND EXPENSES - ADULT DAY PROGRAMS  
CALENDAR YEAR 1998

Account Description	Total Adult Day Programs	Adult Habilitation	Adult Development	Special Adult Development	Behavior Skills	Supportive Employment	Skill Level				Client Transportation
							6	7	8	9	
Water & Sewerage	8,136	3,760	865	1,470	1,054	468	35	116	210	158	-
Plant Supplies	9,607	4,440	1,021	1,735	1,245	552	42	137	248	187	-
Purchased Services & Repairs	32,345	14,949	3,437	5,843	4,190	1,859	141	462	836	628	-
Food & Kitchen Supplies	11,368	5,254	1,208	2,053	1,473	653	49	163	294	221	-
Linen, Laundry Supplies & Service	6	3	1	1	1	-	-	-	-	-	-
Pharmacy Supplies	5,140	2,376	546	928	666	295	22	74	133	100	-
Recreational Supplies	685	316	73	124	89	39	3	10	18	13	-
Classroom Supplies	15,986	7,388	1,699	2,887	2,071	919	70	228	413	311	-
Transportation	304,949	-	-	-	-	-	-	-	-	-	304,949
Subtotal	\$ 2,606,405	1,063,661	244,541	415,705	298,146	132,287	10,020	32,894	59,502	44,700	304,949
Allocation of Administrative Expenses	241,112	111,435	25,619	43,551	31,235	13,858	1,049	3,447	6,233	4,685	-
Total Expenses	\$ 2,847,517	1,175,096	270,160	459,256	329,381	146,145	11,069	36,341	65,735	49,385	304,949

See accompanying notes to financial information.

:SP-45b

EASTER SEALS RHODE ISLAND, INC.  
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM  
CALENDAR YEAR 1998

	Total Waiver		Moorefield		Byron		Cavalry		Batchellar		
Account Description	Combined	Program State	Client	State	Client	State	Client	State	Client	State	Client
Revenues											
State of Rhode Island											
Department of MHRH	\$ 3,648,894	3,648,894	-	537,805	-	321,343	-	636,229	-	318,176	-
Social Security Income	222,506	-	222,506	-	30,520	-	23,191	-	37,607	-	19,278
Clients Excess Earnings	23,340	23,340	-	2,901	-	5,415	-	5,140	-	1,053	-
Other											
PRB Income	14,931	14,931	-	1,294	-	1,884	-	1,321	-	1,137	-
Other	403	403	-	47	-	41	-	45	-	32	-
Total Revenues	\$ 3,910,074	3,687,568	222,506	542,047	30,520	328,683	23,191	642,735	37,607	320,398	19,278
Expenses											
Wages	\$ 2,064,540	2,064,540	-	205,495	-	219,660	-	221,347	-	179,258	-
Retirement	53,064	53,064	-	4,598	-	6,553	-	5,259	-	4,247	-
Health Insurance	270,120	270,120	-	24,194	-	33,736	-	25,022	-	20,715	-
Nurse	4,000	4,000	-	588	-	358	-	698	-	347	-
Occupational Therapist	1,300	1,300	-	100	-	300	-	100	-	100	-
Other	5,400	5,400	-	70	-	1,118	-	22	-	822	-
Office Supplies	6,963	6,963	-	726	-	707	-	758	-	575	-
Telephone	7,648	4,753	2,895	454	228	458	246	484	469	381	566
Travel-Motor Vehicle	31,513	31,437	76	3,561	-	3,580	-	4,586	18	2,547	-
Travel-Employees	15,613	15,613	-	2,337	-	1,223	-	1,231	-	1,854	-
Conventions, Meetings	10,133	10,133	-	1,178	-	1,048	-	1,296	-	840	-
Adv.-Help Wanted	7,869	7,869	-	818	-	816	-	860	-	682	-
Licenses	2,681	2,681	-	769	-	232	-	227	-	167	-
Organizational Dues	10,537	10,537	-	577	-	1,154	-	1,208	-	898	-
Computerized Payroll &											
Data Processing	5,642	5,642	-	593	-	602	-	627	-	474	-
Accounting & Auditing	6,477	6,477	-	875	-	504	-	710	-	428	-
Legal Services	15,392	15,392	-	1,230	-	1,298	-	1,447	-	1,344	-
Payroll Taxes	203,506	203,506	-	20,395	-	21,742	-	21,919	-	17,756	-
Insurance	53,933	53,933	-	5,506	-	5,909	-	5,993	-	4,550	-
Clothing Allowance -											
Clients	12,240	-	12,240	-	1,710	-	1,170	-	2,160	-	1,080
Miscellaneous	33,296	9,040	24,256	447	3,556	383	4,353	795	3,188	293	1,469
HCPA- Provider Tax	255,724	255,724	-	42,074	-	24,264	-	42,052	-	20,456	-
Interest	23,841	21,260	2,581	1,776	-	986	-	2,285	-	1,559	-
Rent/Lease of Building	18,654	-	18,654	-	1	-	9,300	-	9,350	-	1
Lease of Equipment	2,021	2,021	-	207	-	212	-	220	-	170	-
Lease of Vehicles	5,220	5,220	-	-	-	-	-	-	-	-	-
Building Depreciation	26,026	-	26,026	-	-	-	-	-	-	-	-
Building Impr. Depr.	2,103	2,103	-	155	-	63	-	65	-	50	-
Equipment Depreciation	11,619	11,619	-	793	-	765	-	800	-	611	-
Motor Vehicle Depr.	32,061	32,061	-	5,397	-	1,915	-	4,229	-	2,375	-

EASTER SEALS RHODE ISLAND, INC.  
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM  
CALENDAR YEAR 1998

Account Description	Combined	Total Waiver Program		Moorefield		Byron		Cavalry		Batchellar	
		State	Client	State	Client	State	Client	State	Client	State	Client
Fuel	1,566	65	1,501	-	765	65	-	-	736	-	-
Gas	15,160	3,011	12,149	270	804	295	1,126	295	-	226	931
Electricity	23,620	4,489	19,131	467	2,368	472	2,208	485	2,998	384	1,925
Water & Sewerage	2,549	498	2,051	50	924	52	309	55	-	42	187
Plant Supplies	3,202	3,202	-	226	-	231	-	223	-	168	-
Purchased Services & Repairs	17,335	12,630	4,705	572	1,001	571	-	789	367	530	495
Food & Kitchen Supplies	80,528	1,869	78,659	(2)	10,440	2	8,096	-	12,357	(5)	6,899
Linen, Laundry Supplies & Service	11	11	-	-	-	-	-	-	-	-	-
Housekeeping Supplies	8,321	-	8,321	-	1,284	-	60	-	757	-	893
Pharmacy Supplies	18,954	6,597	12,357	372	791	376	134	1,918	2,320	301	1,240
Recreational Supplies	4,585	-	4,585	-	1,988	-	(130)	-	(230)	-	650
Subtotal	\$ 3,374,967	3,144,780	230,187	326,868	25,860	331,650	26,872	348,005	34,490	265,145	16,336
Allocation of Administrative Expenses	349,783	349,783	-	36,012	-	36,467	-	38,280	-	26,846	-
Total Expenses	\$ 3,724,750	3,494,563	230,187	362,880	25,860	368,117	26,872	386,285	34,490	291,991	16,336
Excess (Deficiency) of Revenues Over Expense	\$ 185,324	193,005	(7,681)	179,167	4,660	(39,434)	(3,681)	256,450	3,117	28,407	2,942

See accompanying notes to financial information.

EASTER SEALS RHODE ISLAND, INC.  
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM  
CALENDAR YEAR 1998

Account Description	Concord		Dyer		Imera		Wildflower		Juniper	
	State	Client	State	Client	State	Client	State	Client	State	Client
<u>Revenues</u>										
State of Rhode Island										
Department of MHRH	\$ 431,355	-	401,521	-	337,972	-	439,935	-	224,558	-
Social Security Income	-	25,688	-	26,723	-	20,736	-	26,337	-	12,426
Clients Excess Earnings	2,117	-	1,758	-	1,157	-	3,428	-	371	-
Other										
PBR Income	1,412	-	2,546	-	2,466	-	1,951	-	920	-
Other	35	-	59	-	52	-	64	-	28	-
Total Revenues	<u>\$ 434,919</u>	<u>25,688</u>	<u>405,884</u>	<u>26,723</u>	<u>341,647</u>	<u>20,736</u>	<u>445,378</u>	<u>26,337</u>	<u>225,877</u>	<u>12,426</u>
<u>Expenses</u>										
Wages	\$ 194,056	-	354,936	-	269,155	-	283,847	-	136,786	-
Retirement	5,007	-	9,006	-	8,473	-	7,180	-	2,741	-
Health Insurance	25,207	-	45,987	-	43,902	-	36,995	-	14,362	-
Nurse	472	-	440	-	370	-	483	-	244	-
Occupational Therapist	100	-	100	-	300	-	100	-	100	-
Other	89	-	729	-	1,628	-	655	-	267	-
Office Supplies	634	-	1,122	-	887	-	1,025	-	529	-
Telephone	414	219	865	366	605	336	817	310	275	155
Travel-Motor Vehicle	3,194	32	4,909	-	2,785	-	4,502	-	1,773	26
Travel-Employees	1,200	-	955	-	3,222	-	2,906	-	685	-
Conventions, Meetings	932	-	1,724	-	1,246	-	1,564	-	305	-
Adv.-Help Wanted	734	-	1,266	-	1,048	-	1,163	-	482	-
Licenses	208	-	362	-	288	-	335	-	93	-
Organizational Dues	1,042	-	1,816	-	1,500	-	1,679	-	663	-
Computerized Payroll &										
Data Processing	543	-	928	-	731	-	870	-	274	-
Accounting & Auditing	759	-	1,170	-	799	-	1,040	-	192	-
Legal Services	1,910	-	2,815	-	159	-	5,186	-	3	-
Payroll Taxes	19,243	-	34,499	-	26,557	-	28,212	-	13,183	-
Insurance	5,239	-	8,862	-	7,343	-	7,572	-	2,959	-
Clothing Allowance -										
Clients	-	1,440	-	1,410	-	1,080	-	1,470	-	720
Miscellaneous	522	2,773	656	2,314	1,808	2,679	2,947	2,850	1,189	1,074
HCPA-Provider Tax	28,801	-	25,146	-	24,514	-	34,154	-	14,263	-
Interest	1,505	-	1,755	-	984	2,581	9,247	-	1,163	-
Rent/Lease of Building	-	1	-	1	-	-	-	-	-	-
Lease of Equipment	189	-	324	-	266	-	297	-	136	-
Lease of Vehicles	-	-	-	-	5,220	-	-	-	-	-
Building Depreciation	-	-	-	-	-	6,951	-	19,075	-	-
Building Impr. Depr.	56	-	315	-	121	-	1,241	-	37	-

EASTER SEALS RHODE ISLAND, INC.  
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM  
CALENDAR YEAR 1998

Account Description	Concord		Dyer		Imera		Wildflower		Juniper	
	State	Client	State	Client	State	Client	State	Client	State	Client
<u>Revenues</u>										
Equipment Depreciation	895	-	2,219	-	958	-	4,112	-	466	-
Motor Vehicle Depr.	3,394	-	3,723	-	-	-	8,912	-	2,116	-
Gas	264	1,181	792	2,729	348	1,639	407	2,743	114	996
Electricity	415	2,396	738	1,954	588	1,950	661	2,410	279	922
Water & Sewerage	47	312	83	319	67	425	76	(437)	26	12
Plant Supplies	194	-	375	-	656	-	614	-	515	-
Purchased Services										
& Repairs	770	1,174	2,162	771	1,883	125	4,175	197	1,178	575
Food & Kitchen Supplies	-	9,058	1,203	10,681	62	6,919	5	9,600	604	4,609
Linen, Laundry Supplies										
& Service	-	-	-	-	-	-	-	-	11	-
Housekeeping Supplies	-	1,319	-	949	-	879	-	1,496	-	684
Pharmacy Supplies	340	1,172	2,037	2,307	469	2,651	531	1,513	253	229
Recreational Supplies	-	296	-	428	-	298	-	565	-	720
Subtotal	\$ 298,375	21,373	514,019	24,229	408,942	28,513	453,510	41,792	198,266	10,722
Allocation of Administrative Expenses	32,768	-	56,550	-	45,929	-	54,273	-	22,658	-
Total Expenses	\$ 331,143	21,373	570,569	24,229	454,871	28,513	507,783	41,792	220,924	10,722
Excess (Deficiency) of Revenues Over Expenses	\$ 103,776	4,315	(164,685)	2,494	(113,224)	(7,777)	(62,405)	(15,455)	4,953	1,704

See accompanying notes to financial information.

EASTER SEALS RHODE ISLAND, INC.  
(formerly THE CRANSTON CENTER)  
CALENDAR YEAR 1998

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting

The financial statements are presented on the accrual basis of accounting which is in compliance with MHRH's "Prudent Person Rule" and DHS's Principles of Reimbursement HIM-15. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Depreciation

Depreciation costs are based on the straight-line method which is in compliance with MHRH's "Prudent Person Rule" and DHS's Principles of Reimbursement HIM-15.

Note 2- Excess (Deficiency) of Revenue Over Expenses

The State's method of reimbursement for ICF/MR facilities is based solely on audited expenses and, therefore, does not take into account the excess or deficiency of revenue over expenses.

EASTER SEALS RHODE ISLAND, INC.  
(formerly THE CRANSTON CENTER)  
CALENDAR YEAR 1998

FINDINGS AND RECOMMENDATIONS

Status of Prior Audit Recommendations - Calendar Years 1988 - 1993

Recommendation for DHS

1. The Department of Human Services in accordance with its current funding policy should recover the amount of \$5,385.45 from The Cranston Center.

Complied.

Recommendations for MHRH

1. The amount of \$13,657.00 should be recovered from the Cranston Center by the Department of MHRH as excess funding in 1992 or be reprogrammed by the provider upon written agreement with MHRH in accordance with the applicable contract provisions.

Complied.

2. MHRH should monitor the providers payroll allocation methods to ensure they are supported by sufficient documentation and that these costs are being charged to the proper state contracts and programs.

Complied.

EASTER SEALS RHODE ISLAND, INC.  
(formerly THE CRANSTON CENTER)  
CALENDAR YEAR 1998

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

DHS Programs

Amounts Due To/(From) DHS

As a result of our examination, it has been determined that a net amount of \$4,876 is due to the Department of Human Services from Easter Seals Rhode Island, Inc., and is summarized as follows:

<u>Prior Years</u>	
ICF/MR Per Diem Rates	4,876
Day Rates	-
Payment Adjustments	<u>-</u>
Total Due To/(From) DHS	\$ <u>4,876</u>

The above settlement by facility is as follows:

<u>Facility Per</u>		<u>Total</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
<u>Diem Rate</u>					
Wildflower	\$	2,454	530	1,281	643
Concord		1,002	-	427	575
Dyer		<u>1,420</u>	<u>-</u>	<u>611</u>	<u>809</u>
Total Due to DHS	\$	<u>4,876</u>	<u>530</u>	<u>2,319</u>	<u>2,027</u>

Recommendation

1. The Department of Human Services in accordance with its current funding policy should recover the amount of \$4,876 from Easter Seals Rhode Island, Inc.



## MHRH Programs

### Determination of Excess Funding

The Department of MHRH and the Providers have agreed "that in each particular contract year, any surplus incurred by the Provider in operating one or more of its programs, wherein funding for same is received by the Department of Mental Health, Retardation and Hospitals and/or the Department of Human Services, shall be used/can be used by the Provider to offset any losses incurred by the Provider in one or more of the programs above-referred." Any net surpluses by each particular contract year incurred by the Provider "shall be returned to the State of Rhode Island in a manner as it may prescribe, or shall be used by the Provider in a manner which has been approved by written agreement with the State of Rhode Island." This policy is applicable to all MHRH contracts beginning with calendar year 1986.

As a result of our audit it has been determined that there are excess funds in the amount of \$281,080 based upon the aforementioned policy and the individual contract requirements. The following is a summary of the individual program excesses or deficits and combined results for each year.

	<u>Net Excess</u>	<u>Conversion Waiver</u>	<u>Day Program</u>	<u>Waiver Program</u>	<u>Semi Independent</u>
1995	\$ 172,742	-	88,995	55,602	28,145
1994	<u>108,338</u>	<u>-</u>	<u>97,259</u>	<u>80,082</u>	<u>(69,003)</u>
Total	\$ <u>281,080</u>	<u>          </u>	<u>186,254</u>	<u>135,684</u>	<u>(40,858)</u>

	<u>Net Deficits</u>	<u>Conversion Waiver</u>	<u>Day Program</u>	<u>Waiver Program</u>	<u>Semi Independent</u>
1998	\$ (143,175)	37,836	-	2,943	(183,954)
1997	(112,211)	-	-	9,017	(121,228)
1996	<u>(50,079)</u>	<u>-</u>	<u>69,573</u>	<u>-</u>	<u>(119,652)</u>
Total	\$ <u>(305,465)</u>	<u>37,836</u>	<u>69,573</u>	<u>11,960</u>	<u>(424,834)</u>

## Recommendation

2. The amount of \$281,080 should be recovered from Easter Seals Rhode Island, Inc., by the Department of MHRH as excess funding or be reprogrammed by the Provider upon written agreement with MHRH in accordance with the applicable contract provisions and policy.

Details pertaining to this settlement by program are as follows:

### Day Programs

The contract for the fiscal year ended June 30, 1998 states that "if the audit or calendar year cost report reveals that the total combined amounts of the payment under this Agreement is greater than the total combined reasonable allowable cost for the above specified program, the parties agree to recognize that the excess funding is that of other income over and above the Department funding at the discretion of the Department. However, should the excess funding be greater than the income, the Provider agrees to reimburse to the Department the difference of excess funding." Similar provisions were also in the contracts that covered the years 1994-1997.

<u>Year</u>	<u>Total Excess Funding</u>	<u>Excess Attributable to Non-MHRH Sources</u>	<u>Net Excess Funding</u>
1998	\$ 62,656	130,733	-
1997	32,258	55,112	-
1996	70,979	1,406	69,573
1995	92,761	3,766	88,995
1994	111,606	14,347	97,259

### Waiver Residential Program

The Waiver contract for the fiscal year ended June 30, 1998 stated that "if the audit or calendar year cost report reveals total payment to the Provider under the Agreement is greater than one hundred five (105%) percent of total allowable cost for the above specified programs covered by this agreement the parties agree that the excess funding over one hundred five (105%) percent will be returned to the Department by the Provider." This provision was also in the contracts for 1994 through 1997.

Period		Total MHRH Payments to <u>Provider</u>	105% Allowable <u>Expenses</u>	Net Excess <u>Funding</u>
1998	\$	3,672,234	3,669,291	2,943
Prior Years				
1997		2,758,585	2,749,568	9,017
1996		1,566,311	1,604,607	-
1995		924,470	868,868	55,602
1994		971,253	891,171	80,082

#### Semi-Independent Living Program

The contract for the fiscal year ended June 30, 1998 states that "The parties to this contract agree that in each particular contract year, any surplus incurred by the Provider in operating one or more of its programs, wherein funding for same is received by the Department of Mental Health, Retardation and Hospitals and/or the Department of Human Services, shall be used/can be used by the Provider to offset any losses incurred by the Provider in one or more of the programs above-referred. In each particular contract year, where a Provider has an overall surplus, after application of all the above-referred program surplus/loss offsets, this surplus shall be due and owing to the State of Rhode Island and either shall be returned to the State of Rhode Island in such manner as it may be prescribe, or shall be used by the Provider in a manner which has been approved by written agreement with the State of Rhode Island. "This contract provision is retroactive back to 1994.

We have determined that excess funding by the Department of Mental Health, Retardation and Hospitals of Easter Seals Rhode Island, Inc., for the period under review totaled \$28,145.00 in 1995. For the years, 1998,1997,1996 and 1994, the program operated with deficiencies of revenues over expenses. The excess is summarized below:

<u>Year</u>		Total Excess <u>Funding</u>	Excess Attributable to <u>Non-MHRH Sources</u>	Net Excess <u>Funding</u>
1995	\$	29,655	1,510	28,145

### Credit Card Purchases

All the Waiver Funded Residential Program contracts contain a provision requiring Easter Seals Rhode Island Inc. (Center) to maintain fiscal records that "will be subject to audit by the Department or its authorized representative(s)." Our audit revealed that the 1998 cost report contained \$31,550 in program expenditures incurred with the use of credit cards. \$18,893 or 60% was for travel. We accepted those costs based upon the credit card vendors' monthly invoices, as no actual receipts were available for further analysis.

Our review of the Center's policies and procedures covering credit cards purchases disclosed that while all credit card purchases must be pre-approved, no reference was made requiring the retention of receipts or other forms of supporting documentation. As such, little or no documentation was made available to us for review.

### Recommendation

3. That MHRH require Easter Seals Rhode Island, Inc. to revise its credit card purchase policy to include the retention of receipts and/or other forms of documentation for all credit card purchases.